

# Plantation

## Inventory Rises Despite Lower Production

### Highlights

- MPOB's data for Nov 25 showed a further rise in palm oil inventory levels to 2.84m tonnes despite a marginal decline in production.
- Maintain OVERWEIGHT on the sector premised on positive CPO price outlook in 2026 driven by both supply and demand factors. Our 2026 CPO forecast is at RM4,400/tonne.
- Top pick: Hap Seng Plantations (BUY, Target: RM2.65) and SD Guthrie (BUY, Target: RM6.50).

### Analysis

- MPOB's Nov 25 data.** End-stocks rose 13.0% mom to 2.84m tonnes, which was above market expectations, driven by a weaker-than-expected export despite a mom decline in production.
  - Production fell 5.3% mom to 1.94m tonnes but remain at an elevated level, rising 19.4% yoy following this year's delayed cropping pattern in Malaysia. The mom decline in production was relatively in line with our production survey and market estimates. Lower output was recorded in Peninsular (-6.7% mom), with all states recording lower production except Johor (+0.6% mom). East Malaysia saw a marginal drop in output (-3.6% mom) with Sabah's output falling slightly by 2% mom.
  - Exports in Nov 25 came in weaker than market expectations, contracting 28% mom to 1.21m tonnes, compared to cargo surveyors' estimate of a 15-20% mom decline. According to Intertek cargo surveyors, demand from key buyers (India and China) fell significantly, likely due to the absence of festive season buying and stronger demand for competing oils following the replenishment of soybean inventories by China.
  - End-stocks increased to 2.84m tonnes vs 2.51m tonnes in Oct 25, driven by weaker export despite marginally lower production and higher domestic consumption (+72% mom). The continued build-up in inventories exceeded market expectations.
- Outlook.** Production is expected to continue tapering in the following months as Malaysia enters its low production cycle in Dec 25. Despite the expected decline in production, we believe inventory levels would continue to rise in Dec 25 whereby current production is still coming off an elevated base. Early export data by cargo surveyors has indicated subdued demand by key buyers for 1-10 Dec 25 (-15% mom) thus far.
- We expect inventories to begin easing mom from Jan 25 onwards, as the seasonal production decline starts to accelerate at the turn of the year into January. Demand is also expected to pick up in early-26 ahead of the festive season.

**OVERWEIGHT**  
(Maintained)

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### Sector Picks

| Company              | Ticker  | Rec | Share Price (RM) | Target Price (RM) |
|----------------------|---------|-----|------------------|-------------------|
| Hap Seng Plantations | HAPL MK | BUY | 2.05             | 2.65              |
| SD Guthrie           | SDG MK  | BUY | 5.26             | 6.50              |

Source: Bloomberg, UOB Kay Hian

### Peer Comparison

| Company              | Ticker  | Rec* | Price<br>10 Dec 25<br>(RM) | Target<br>Price<br>(RM) | Upside<br>To TP<br>(%) | Last<br>Year<br>End | PE<br>2024A<br>(x) | 2025E<br>(x) | 2026E<br>(x) | Yield<br>2025E<br>(%) | ROE<br>2025E<br>(%) | Market<br>Cap.<br>(RMm) | Price/<br>NAV ps<br>(x) |
|----------------------|---------|------|----------------------------|-------------------------|------------------------|---------------------|--------------------|--------------|--------------|-----------------------|---------------------|-------------------------|-------------------------|
| Hap Seng Plantations | HAPL MK | BUY  | 2.05                       | 2.65                    | 29.3                   | Dec-25              | 8.0                | 8.9          | 8.4          | 5.6                   | 10.1                | 1639.4                  | 0.8                     |
| SD Guthrie           | SDG MK  | BUY  | 5.26                       | 6.50                    | 23.6                   | Dec-25              | 23.4               | 20.0         | 22.9         | 2.9                   | 10.6                | 36376.7                 | 1.8                     |
| Genting Plantations  | GENP MK | HOLD | 4.97                       | 5.40                    | 8.7                    | Dec-25              | 13.8               | 12.7         | 12.9         | 3.9                   | 6.1                 | 4458.9                  | 0.9                     |
| IOI Corporation      | IOI MK  | BUY  | 4.05                       | 4.45                    | 9.9                    | Jun-26              | 19.3               | 18.8         | 17.5         | 2.7                   | 12.7                | 25455.1                 | 2.1                     |
| Kuala Lumpur Kepong  | KLK MK  | BUY  | 19.2                       | 23.50                   | 22.4                   | Sep-25              | 23.0               | 17.1         | 15.9         | 2.8                   | 5.8                 | 21382.3                 | 1.5                     |
| Kim Loong            | KIML MK | HOLD | 2.38                       | 2.25                    | -5.5                   | Jan-26              | 14.4               | 14.3         | 14.6         | 6.9                   | 18.5                | 2338.6                  | 2.5                     |
| Sarawak Oil Palms    | SOP MK  | HOLD | 3.86                       | 3.15                    | -18.4                  | Dec-25              | 7.7                | 8.0          | 8.1          | 2.3                   | 12.2                | 3461.5                  | 0.9                     |

Source: Bloomberg, UOB Kay Hian

### MPOB'S Nov 25 Statistics

| (m tonne)             | Nov 24  | Oct 25 | Nov 25 | mom % chg | yoy % chg | 11M25  | yoy % chg |
|-----------------------|---------|--------|--------|-----------|-----------|--------|-----------|
| CPO Production        | 1.62    | 2.04   | 1.94   | -5.3      | 19.4      | 18.45  | 3.35      |
| Palm Oil Domestic Use | 0.20    | 0.24   | 0.42   | 71.8      | 106.7     | 4.13   | 38.0      |
| Palm Oil Exports      | 1.49    | 1.69   | 1.21   | (28.1)    | (18.6)    | 13.93  | (10.3)    |
| Oleochemical          | 0.22    | 0.25   | 0.20   | -20.1     | -9.3      | 2.47   | -10.7     |
| Biodiesel             | 0.01    | 0.02   | 0.05   | 104.8     | 300.7     | 0.34   | 39.3      |
| Palm Oil Imports      | 0.02    | 0.04   | 0.02   | (36.1)    | 5.0       | 0.73   | 239.5     |
| Palm Oil Stocks       | 1.84    | 2.51   | 2.84   | 13.0      | 54.5      | 2.84   | 54.5      |
| CPO Price (RM/tonne)  | 5,011.5 | 4412.5 | 4089.5 | (7.3)     | (18.4)    | 4332.3 | 4.9       |

Source: MPOB, UOB Kay Hian

### Nov 25 CPO Production By Region And State

| (m tonne)            | Nov 24 | Oct 25 | Nov 25 | mom % chg | yoy % chg | 11M25 | yoy % chg |
|----------------------|--------|--------|--------|-----------|-----------|-------|-----------|
| Johor                | 0.26   | 0.31   | 0.31   | 0.6       | 20.4      | 2.89  | 0.23      |
| Pahang               | 0.27   | 0.36   | 0.34   | (5.9)     | 24.7      | 3.18  | 2.85      |
| Perak                | 0.15   | 0.18   | 0.15   | (15.6)    | 3.9       | 1.87  | 6.98      |
| Negeri Sembilan      | 0.06   | 0.07   | 0.07   | (5.1)     | 12.9      | 0.67  | -0.56     |
| Selangor             | 0.04   | 0.05   | 0.05   | (9.9)     | 1.4       | 0.53  | 6.14      |
| Terengganu           | 0.04   | 0.06   | 0.05   | (6.7)     | 34.3      | 0.44  | -1.11     |
| Kelantan             | 0.03   | 0.04   | 0.04   | (9.0)     | 49.4      | 0.38  | 13.75     |
| Kedah                | 0.02   | 0.02   | 0.02   | (16.1)    | 10.6      | 0.26  | 8.70      |
| Other States         | 0.02   | 0.02   | 0.01   | (31.9)    | (4.9)     | 0.20  | 0.16      |
| <b>Pen Malaysia</b>  | 0.88   | 1.12   | 1.04   | (6.7)     | 18.4      | 10.42 | 3.02      |
| Sabah                | 0.39   | 0.45   | 0.44   | (2.0)     | 11.2      | 3.97  | 1.29      |
| Sarawak              | 0.35   | 0.48   | 0.46   | (5.1)     | 29.4      | 4.06  | 6.85      |
| <b>East Malaysia</b> | 0.75   | 0.93   | 0.89   | (3.6)     | 19.8      | 8.03  | 4.02      |

Source: MPOB, UOB Kay Hian

## Valuation/Recommendation

- **Maintain OVERWEIGHT.** In our 1H26 strategy report, we have upgraded the sector from Neutral to OVERWEIGHT premised on positive CPO price outlook in 2026, driven by bullish supply and demand factors. We have raised our 2026 CPO forecast to RM4,400/tonne (from RM4,000/tonne), as we foresee CPO prices moving progressively higher in 1H26 led by supply constraints in Malaysia and Indonesia, and we expect prices to remain supported throughout 2H26 underpinned by Indonesia's planned implementation of the B50 blending mandate.
- **Top picks are SD Guthrie and Hap Seng Plantations.** SD Guthrie is regarded as one of the key beneficiaries of higher CPO prices among big-cap peers. It is the top CPO producer with high leverage to upstream earnings and maintains a positive fresh fruit bunch (FFB) production growth trajectory. We also remain positive on Hap Seng Plantations given its inexpensive valuations with a high net-cash position alongside attractive dividend yields.

## Sector Catalyst/Risk

- Weaker-than-expected industry output driving tighter inventories and higher CPO prices.
- Incremental demand from regional biofuel policy expansions.
- Improved downstream business outlook for vertically-integrated planters.

### CPO Price Assumptions (RM/Tonne)

|      | CPO Price (RM/tonne) |
|------|----------------------|
| 2020 | 2,686                |
| 2021 | 4,408                |
| 2022 | 5,088                |
| 2023 | 3,810                |
| 2024 | 4,180                |

#### Our forecast:

|       |       |
|-------|-------|
| 2025F | 4,300 |
|-------|-------|

#### CPO Price:

|                                    |       |
|------------------------------------|-------|
| MPOB @ 10 DEC 25                   | 4,029 |
| BMD 3 <sup>rd</sup> Month Contract | 4,095 |

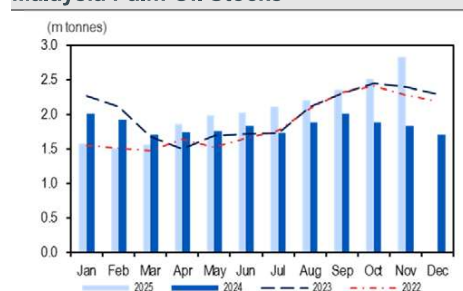
Source: UOB Kay Hian

### Malaysia Palm Oil Production



Source: MPOB, UOB Kay Hian

### Malaysia Palm Oil Stocks



Source: MPOB, UOB Kay Hian

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